

PUBLIC VERSION

From: Boyd, Pamela Owens
Sent: Thursday, February 21, 2019 2:21 PM
To: 'MILLER, DIANNE W' <dm6516@att.com>
Subject: RE: Friday Meeting: APC/AT&T Joint Use Agreement Discussion--

Thank-you for providing the attendees information. I have been out of the office quite a bit lately but I believe Karen has sent you everything regarding how you check in. Due to the size of our meeting we are going to move to a slightly larger conference room, therefore the number Mark Peters should call to participate via phone is

Thank-you for responding as well regarding the payments. In regards to the annual pole cost information, our position still remains that this is a relevant piece of information to Alabama Power in order to negotiate as a joint use partner; therefore we will not be able to provide any offering at the meeting tomorrow. I thought I had made that clear in our last discussion, my apologies if there was any misunderstanding.

I look forward to meeting you in person tomorrow.

Pam O. Boyd

ALABAMA POWER COMPANY
PD Technical Services General Manager
O (205) 257-5224 | C (205) 913-1573



From: MILLER, DIANNE W [<mailto:dm6516@att.com>]
Sent: Monday, February 18, 2019 2:27 PM
To: Boyd, Pamela Owens <POBOYD@southernco.com>
Subject: Friday Meeting: APC/AT&T Joint Use Agreement Discussion--

EXTERNAL MAIL: Caution Opening Links or Files

Pam,

PUBLIC VERSION

Looking forward to meeting on Friday! I don't believe that I provided to you the names of attendees from the AT&T side yet – they are:

Dianne Miller - Director, National Joint Utility Team
Dan Rhinehart - Regulatory and Rates
Dorian Denburg - AT&T Legal Counsel
Chris Huther - External Legal Counsel
Mark Peters - Regulatory (participate via phone in meeting room)

Our hotel and flight plans are in place for meeting on February 22, 2019. We can do a start time of 9am Central time if that works for you.

I have the meeting address as 600 18th Street North in Birmingham. Do we enter the lobby and sign in at Security Desk and wait to be escorted to meeting area?

Also, if I could obtain the dial-in conference bridge in advance for the person that will be participating via phone on Friday, that would be great!

Looks like rainy weather on Friday.

Regards,

Dianne Miller

From: MILLER, DIANNE W
Sent: Friday, February 15, 2019 1:42 PM
To: 'Boyd, Pamela Owens' <POBOYD@southernco.com>
Subject: RESPONSE: APC/AT&T Joint Use Agreement Discussion-- February 8, 2019

Pam,

In the spirit of expeditiousness, I'm just going to reply to each of your points below in RED from your memo.

Dianne

From: Boyd, Pamela Owens [<mailto:POBOYD@southernco.com>]
Sent: Wednesday, February 13, 2019 10:54 AM
To: MILLER, DIANNE W <dm6516@att.com>
Subject: RE: APC/AT&T Joint Use Agreement Discussion-- February 8, 2019

I hope you had a great weekend, even though this weather has been a bit crazy. Thank-you so much for responding last Friday and confirming AT&T's Bare Pole Cost of _____ based on year end 2017 data. I believe that resolves any outstanding data issues regarding the 2017 true-up invoice and the 2018 estimated invoice from Alabama Power to AT&T. The 2017 true-up invoice was issued on August 14, 2018 in the amount of _____. Interest has been accruing on the 2017 true-up invoice since August 14th. Given that this amount relates to the 2017 billing period, given

PUBLIC VERSION

that this amount is now almost six months outstanding and given that A&I has confirmed the bare pole cost, we would very much appreciate payment of this invoice prior to our February 22 meeting.

Pam, coincidentally this payment was in the works so it should arrive to APCO before or shortly after our meeting.

Also, the 2018 estimated invoice was issued on November 13, 2018 in the amount of Please advise of the status of this payment prior to our meeting.

We are reviewing the 2018 invoice and expressed our concerns regarding the invoice and the rental rates used to derive it at the executive-level meeting last year. Those concerns haven't been addressed and are the reason we're meeting again next week.

In response to your request for our telecom rate calculations, please reference the July 19th letter to Kyle where he had previously requested the same information. We provided him Alabama Power's 2017 annual pole cost of (based from FERC Form 1 data). From this figure ATT can calculate the rate based on the old telecom rate, new telecom rate, cable rate, etc... My apologies for not mentioning this on Friday. There have been so many communications I just could not put my finger on it while we were on the phone.

The annual pole cost is helpful, but APCO has not shown how it calculated the rate or the "modifications and adjustments" that were made to derive it. While the pole cost may allow AT&T to calculate the rates APCO may have charged AT&T's competitors, it still does not enable AT&T, as we need, to determine whether those rates were correctly calculated.

In order to have a successful meeting on the 22nd we do need the same annual pole cost information from AT&T. In order to discuss any kind of revised cost sharing methodology we need this information to better understand AT&T's actual cost of pole plant. At this meeting it is not necessary to have AT&T's actual CLEC agreement, however the annual pole cost information is critical in discussing rates between the two companies.

We've addressed this before--providing AT&T's annual pole cost is irrelevant as regards the just and reasonable rate that AT&T is entitled to under the law for its attachments on APCO's poles (the issue to be discussed at the meeting).

I look forward to meeting you in person, however I do fear that a meeting on the 22nd will not be productive without AT&T's requested cost of pole plant provided in advance. Without this information we will not be able to react to any proposals from your team. Also, as mentioned above, we would appreciate payment of the 2017 true-up invoice prior to the meeting on the 22nd.

I do look forward to meeting you and your team in person. I think a worthwhile discussion can take place. And I trust you will make good on your commitment to provide AT&T an offer at the meeting or beforehand. We eagerly await that.

I will be on vacation today and tomorrow but don't hesitate to call me on my cell if you need anything or have any questions. I will be back in the office on Friday.

Looks like we are in for a lot of rain this forthcoming week as we plan our travel!

Dianne Miller

Pam O. Boyd

ALABAMA POWER COMPANY

PD Technical Services General Manager

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From: MILLER, DIANNE W [<mailto:dm6516@att.com>]

Sent: Friday, February 8, 2019 5:20 PM

To: Boyd, Pamela Owens <POBOYD@southernco.com>

Subject: APC/AT&T Joint Use Agreement Discussion-- February 8, 2019

EXTERNAL MAIL: Caution Opening Links or Files

Pam,

I am happy we were able to speak on a Friday afternoon. Wanted to drop you this note so I can send you the clip on our embedded pole cost based on year-end 2017 data. I can confirm that AT&T calculated a bare pole cost, using year-end 2017 data, for the purposes of the contract rate calculation. Per below.

AT&T Data

Information for Alabama Power Billing of 2017 Attachments - 2018 True-up Billing

Alabama - 2017

Source: Finance Operations - Plant Mileage Report Oracle Telco CFAS
Finance Operations - General Ledger Summary Report 2411 1C

Per our phone conversation, we do not desire to provide information regarding third-party attachments to AT&T's poles, nor do we wish to complicate our negotiations by talking about *changes* to our existing agreement. We would like to talk about our *existing* Joint Use agreement and reasonable rates associated with our *current* agreement.

And let me try to clarify further for you when we talked about needing your new and pre-existing telecom rate calculations. Our use of the terms "new telecom rate" and "pre-existing telecom rate" or "upper-bound rate" is consistent with the language of the FCC in its April 7, 2011 Order in WC Docket No. 07-245 (2011 Order) where it defined the "new telecom rate" as the telecom rate developed under the pre-2011 Order formula (the pre-existing telecom rate) multiplied by a factor based on the number of attaching entities.

PUBLIC VERSION

As an example only - a pre-existing telecom first foot rate of \$10 would translate to a new telecom first foot rate of \$6.60 if the urban multiplier of 0.66 were used. Using a "first foot" descriptor might be a little confusing now, but if we use it, it will readily translate into an opportunity to discuss how the telecom formula is supposed to work if more than one foot of space is used or reserved.

Exhibit A-2 in the agreement gives an outline, but it doesn't show your actual full computations or your inputs.

I will provide you the names of the attendees from AT&T as soon as I confirm those. And once we know some travel logistics, we can confirm the start time of our February 22 meeting.

And thanks again for accommodating a dial-in participant from AT&T!

I am really looking forward to meeting you in person! I feel sure that we can come out with a resolution that works for both companies if we keep working at it!

Regards,

Dianne Miller

AT&T

Director - National Joint Utility Team

From: Boyd, Pamela Owens [<mailto:POBOYD@southernco.com>]

Sent: Wednesday, February 06, 2019 3:06 PM

To: MILLER, DIANNE W <dm6516@att.com>

Subject: APC/AT&T Joint Use Agreement Discussion

Dianne, Just wanted to follow-up on our conversation today regarding the data/information we need in order to make the February 22 meeting productive. Though we had requested a number of different pieces of data since the beginning of our discussions last Spring, the main pieces of data/information we need at this point are as follows:

- The current rates that AT&T charges its CATV and CLEC attachers in Alabama, as calculated under the FCC's formulas;
- Examples of AT&T's pole license agreements with CATVs and CLECs in Alabama; (We provided this to Kyle previously, and if you need this just let me know)
- AT&T's calculation of its average embedded pole cost based on year-ending 2017 data (if AT&T disagrees with our calculation of _____);
- The portions of the joint use agreement (other than the Appendix B annual rate methodology) that AT&T wants to change, if any;
- The portions of the joint use agreement in which AT&T sees no going-forward value (for example, does AT&T see value in the _____ feet of allocation space, the ability to use space in excess of allocated space, the per pole vs. per attachment billing methodology, etc.)

We would like to be in a position to make a firm offer to AT&T prior to the February 22 meeting. In order to do so, we would need this data (or at least the first three bullet points) by the end of this week. Also, as I mentioned on the phone, we are interested in conducting a long-overdue joint survey. The last survey was around 2003. A new survey would help both parties, both operationally and with respect to ensuring accurate billing on going-forward basis. We are not particularly concerned with a true-up following the survey, so if the potential for a true-up is an impediment to AT&T moving-forward, we are willing to work around this. We are also open to more innovative and efficient ways to accomplish this survey.

PUBLIC VERSION

The address for the meeting location is 600 North 18th Street, Birmingham. The Hampton Inn and Suites located downtown is within walking distance. There is also a Sheraton and Westin that are downtown but not really within walking distance. If you prefer to get a slight bit out of downtown the lakeshore area in Homewood and Walker's Chapel Rd. area in Fultondale has a variety of hotels as well. I hope this helps, but if I can answer any further questions logistically please let me know.

<https://www.guestreservations.com/Hampton-Inn-Suites-Downtown-Tutwiler-Birmingham/booking?msclkid=219ca51909201e4f90a0f94232bcda1f>

I enjoyed talking with you today and good luck with the Town Hall and all your HR duties today, I know we will both get through those 😊! If you need more time to pull together the data just let me know and we can find another alternate date without getting too far out in the future. We just want the meeting to be as productive as possible. Please let me know if you have any questions about this. I look forward to meeting you in person and working with you on a resolution that makes sense for both companies!

Pam O. Boyd

ALABAMA POWER COMPANY

PD Technical Services General Manager

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EXHIBIT 22

From: MILLER, DIANNE W [mailto:dm6516@att.com]
Sent: Monday, February 25, 2019 5:56 PM
To: Boyd, Pamela Owens <POBOYD@southernco.com>
Subject: Alabama Power / AT&T: Post-Meeting from February 22, 2019

EXTERNAL MAIL: Caution Opening Links or Files

Pam,

Thank you for meeting with us on Friday. We thought the meeting was informative and we are glad that we had another chance to sit down with your team to try to settle our rate dispute. Although we were disappointed that Alabama Power did not offer AT&T a new rental rate, we appreciated the opportunity to walk through Alabama Power's information requests and confirm that Alabama Power has all the information it needs to make a rental rate offer.

Thinking back on our meeting and recalling some points, we explained that AT&T calculates a net bare pole cost for purposes of its new telecom rental rate calculations using publicly available ARMIS data and the distribution pole counts that AT&T discloses to Alabama Power each year. We also confirmed for Alabama Power that AT&T's net bare pole cost for 2017 was about \$60 and that AT&T calculates new telecom rates for its attachers using FCC default inputs for pole height (37.5 feet), usable space (13.5 feet), telephone company appurtenance factor (5%), average number of attaching entities in an urbanized area (5), and cost allocation factor (0.66). We also explained that, because a new FCC default rate of return takes effect each year on July 1, AT&T uses a 50/50 average of the two relevant rates of return for a particular calendar year. For example, for the 2017 calendar year, the applicable rate of return would be 10.875%, representing the average of 11.0% (effective Jan.-June, 2017) and 10.75% (effective July-Dec., 2017).

And in turn, we also appreciate the information that Alabama Power provided us on Friday. In particular, Alabama Power confirmed that it calculates a net bare pole cost for purposes of its new telecom rental rate calculations using the same distribution pole counts that it provides to AT&T each year in its annual "Pole Rental Reconciliation" calculation. Alabama Power also explained that it calculates new telecom rates using a [REDACTED] rate of return and a

PUBLIC VERSION

██████ applied depreciation rate (even though that depreciation rate differs from what was reported in the company's FERC Form 1 report for 2017), and that it adds one-half of its Account 365 investment in grounding to the costs booked in Account 364. Alabama Power also clarified that the investment amounts it reports to AT&T as "Total Distribution Pole Investment" and "Total Distribution Pole Investment less 32.5% of Concrete Pole Investment" in its annual "Pole Rental Reconciliation" calculation represent the investment amounts in Account 364 less the investment in appurtenances. Finally, Alabama Power let us know that it does not have survey data to establish the average number of attaching entities on its poles and so uses the FCC's default value for the average number of attaching entities, as well as for pole height (37.5 feet), unusable space (24 feet), electric company appurtenance factor (15%), and space occupied (1 foot).

We had a few questions at the meeting that you agreed to answer. In particular:

1. Depreciation Reserves

- With respect to the use of Account 101 (Total Plant in Service) and Account 108 (Depreciation Reserve) in estimating the pole investment depreciation reserve, does Alabama Power calculate new telecom rates using "total company" amounts or "electric utility" amounts?
- With respect to Account 364, does Alabama Power maintain account-specific depreciation reserves? If so, why does Alabama Power not develop pole costs based on actual depreciation reserves for poles?

2. Depreciation Rate

- On page 337 (page 241 of the pdf) line 20 of Alabama Power's 2017 FERC Form 1, the total depreciable distribution plant is reported as \$6,749,181,000, but on page 207 (page 101 of the pdf) line 75, the total distribution plant is reported as \$7,032,719,132. Please explain why there is a \$283 million difference in these numbers and why the depreciation expense carrying charge element should not be adjusted to reflect the non-depreciable components of distribution plant.
- Please indicate whether the depreciation rate used by Alabama Power to derive a net bare pole cost of ██████ for 2017 includes depreciation on Distribution Easements as reported at page 337 (page 241 of the pdf) line 21 of Alabama Power's 2017 FERC Form 1.

3. Rate of Return

- Please provide the calculation and supporting workpapers for the ██████ rate of return used by Alabama Power to calculate its 2017 net bare pole cost of ██████. Please include the percentage mix of equity, preferred equity, debt and costless equity (accumulated deferred taxes) as the cost of equity (or in the alternative the allowed weighted cost of equity), the cost of preferred equity and the cost of debt.
- In calculating its rate of return, does Alabama Power use for its allowed weighted cost of equity the 5.98% value reported as the "adjusting point" value on page 123.20 (page 61 of the pdf) of Alabama Power's 2013 FERC Form 1, Notes to Financial Statements? If not, please let us know the value used and its source.
- Does the ██████ rate of return used by Alabama Power include the "performance-based adder of seven basis points, of 0.07%" that is disclosed on page 123.20 (page 61 of the pdf) of Alabama Power's 2013 FERC Form 1, Notes to Financial Statements?

We appreciate your willingness to provide answers to these questions as quickly as possible. We also renew our request that Alabama Power offer us a new telecom rate so that we are comparable to our competitors. At the meeting, Alabama Power expressed an unwillingness to provide AT&T a rate offer that even approximated the higher

PUBLIC VERSION

pre-existing telecom rate. We would urge Alabama Power to reconsider that position and provide AT&T a rate offer by March 7, which is the date that will mark one full year of our rental rate negotiations.

Thank you again for hosting us on Friday. It was so nice to finally meet you in person!

Regards,

Dianne Miller

AT&T

Director - National Joint Utility Team

EXHIBIT 23

From: Morgan, Sherri T. [mailto:STMorgan@southernco.com]
Sent: Friday, March 15, 2019 1:10 PM
To: MILLER, DIANNE W <dm6516@att.com>
Cc: Boyd, Pamela Owens <POBOYD@southernco.com>
Subject: APC Response to 2/25/19 questions

Dianne:

Pam Boyd asked that I forward our responses to your 2/25/19 rate related questions in her absence. Your original questions are set forth below in *italics* and our response are in **bold/red**. Also, you will notice below that we have confidentiality concerns regarding the information in response to the rate of return questions below. To that end, we are attaching a proposed NDA to cover transmittal of that information. I believe our outside lawyer, Eric Langley, has had at least some communication with Chris Huther about this. If you have any questions about the NDA, please let us know. We have drafted it as a mutual NDA with the expectation that there might be information during the course of our discussions that AT&T might want to protect, as well. As soon as the NDA is executed, we will transmit our responses to the remaining question about the rate of return.

1. *Depreciation Reserves*

With respect to the use of Account 101 (Total Plant in Service) and Account 108 (Depreciation Reserve) in estimating the pole investment depreciation reserve, does Alabama Power calculate new telecom rates using "total company" amounts or "electric utility" amounts?

For purposes of calculating the annual pole cost (which is the same cost used to calculate the cable rate, the old telecom rate and the new telecom rate) Alabama Power uses the values for Total Electric Plant.

With respect to Account 364, does Alabama Power maintain account-specific depreciation reserves? If so, why does Alabama Power not develop pole costs based on actual depreciation reserves for poles?

No.

2. *Depreciation Rate*

On page 337 (page 241 of the pdf) line 20 of Alabama Power's 2017 FERC Form 1, the total depreciable distribution plant is reported as \$6,749,181,000, but on page 207 (page 101 of the pdf) line 75, the total distribution plant is reported as \$7,032,719,132. Please explain why there is a \$283 million difference in these numbers and why the depreciation expense carrying charge element should not be adjusted to reflect the non-depreciable components of distribution plant.

The total distribution plant figures are not used in calculating the depreciation expense carrying charge element or any other component of the annual pole cost calculation, so any difference between the values noted above does not impact the results.

Please indicate whether the depreciation rate used by Alabama Power to derive a net bare pole cost of [REDACTED] for 2017 includes depreciation on Distribution Easements as reported at page 337 (page 241 of the pdf) line 21 of Alabama Power's 2017 FERC Form 1.

The depreciation rate Alabama Power used for this portion of the calculation does not include Distribution Easements.

3. *Rate of Return*

Please provide the calculation and supporting workpapers for the [REDACTED] rate of return used by Alabama Power to calculate its 2017 net bare pole cost of [REDACTED]. Please include the percentage mix of equity, preferred equity, debt and costless equity (accumulated deferred taxes) as the cost of equity (or in the alternative the allowed weighted cost of equity), the cost of preferred equity and the cost of debt.

[TO BE PROVIDED UPON EXECUTION OF NDA]

In calculating its rate of return, does Alabama Power use for its allowed weighted cost of equity the 5.98% value reported as the "adjusting point" value on page 123.20 (page 61 of the pdf) of Alabama Power's 2013 FERC Form 1, Notes to Financial Statements? If not, please let us know the value used and its source.

[TO BE PROVIDED UPON EXECUTION OF NDA]

Does the [REDACTED] rate of return used by Alabama Power include the "performance-based adder of seven basis points, of 0.07%" that is disclosed on page 123.20 (page 61 of the pdf) of Alabama Power's 2013 FERC Form 1, Notes to Financial Statements?

[TO BE PROVIDED UPON EXECUTION OF NDA]

We look forward to hearing back from you soon, and have a great weekend!

Sherri Morgan
Joint Use Team Leader
Alabama Power
600 North 18th Street / 10N-0715
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Birmingham, Alabama 35291
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stmorgan@southernco.com



EXHIBIT 24

Confidential

ENTIRE EXHIBIT DESIGNATED CONFIDENTIAL

EXHIBIT 25

Confidential

ENTIRE EXHIBIT DESIGNATED CONFIDENTIAL